



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Kent School District No. 415

For the period September 1, 2021 through August 31, 2022

Published October 31, 2023

Report No. 1033575



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**Office of the Washington State Auditor
Pat McCarthy**

October 31, 2023

Board of Directors
Kent School District No. 415
Kent, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Kent School District No. 415's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kent School District No. 415 September 1, 2021 through August 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Kent School District No. 415 are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District’s compliance with requirements applicable to each of its major federal programs, with the exception of the 32.009 – COVID-19 – Emergency Connectivity Fund Program on which we issued an adverse opinion on compliance with applicable requirements.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
10.559	Child Nutrition Cluster - Summer Food Service Program for Children
10.582	Child Nutrition Cluster - Fresh Fruit and Vegetable Program
32.009	COVID-19 – Emergency Connectivity Fund Program
84.027	Special Education Cluster (IDEA) - Special Education Grants to States
84.173	Special Education Cluster (IDEA) - Special Education Preschool Grants
84.173	COVID-19 – Special Education Cluster (IDEA) - Special Education Preschool Grants
84.425	COVID-19 – Education Stabilization Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,784,398.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 2021-001, 2021-002, and 2021-003.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Kent School District No. 415 September 1, 2021 through August 31, 2022

2022-001 The District did not have adequate internal controls for ensuring compliance with requirements for time-and-effort documentation.

Assistance Listing Number and Title: 84.425, COVID-19 – Education Stabilization Fund

Federal Grantor Name: U.S. Department of Education

Federal Award/Contract Number: N/A

Pass-through Entity Name: Office of Superintendent of Public Instruction (OSPI)

Pass-through Award/Contract Number: COVID-19 – 84.425W; 459549
COVID-19 – 84.425U; 140614
COVID-19 – 84.425D; 120550
COVID-19 – 84.425U; 138100
COVID-19 – 84.425D; 130197
COVID-19 – 84.425U
COVID-19 – 84.425U; 712212

Known Questioned Cost Amount: \$0

Prior Year Audit Finding: Yes, Finding 2021-001

Background

The objectives of the Education Stabilization Fund (ESF) are to prevent, prepare for, and respond to the COVID-19 pandemic. In fiscal year 2022, the District spent \$30,615,680 of its ESF awards. This included \$24,366,285 in the Elementary and Secondary School Emergency Relief (ESSER II) Fund subprogram (84.425D), \$6,215,569 in the American Rescue Plan – Elementary And Secondary School Emergency Relief (ARP ESSER/ESSER III) Fund subprogram (84.425U), and \$33,826 in the American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth (ARP ESSER/HCY II) subprogram (84.425W).

Federal regulations require award recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include

understanding program requirements and monitoring the effectiveness of established controls.

The District is responsible for ensuring it supports all payroll costs charged to the program with adequate time-and-effort documentation, as federal regulations and the awarding agency require. Depending on the number and types of activities employees perform, time-and-effort documentation can be a semiannual certification or monthly personnel activity reports, such as a detailed timesheet. Time-and-effort documentation must also be signed and dated after the work is completed.

Description of Condition

The ESF program allowed the District to claim ESSER II funds for continuing to employ existing District staff, as well as for other activities that were necessary for maintaining the operation and continuity of public school services during the COVID-19 pandemic.

Our audit found the District's internal controls were ineffective for ensuring it supported all salaries and benefits charged to the ESF program with appropriate time-and-effort documentation, as the awarding agency requires. The District could not provide time-and-effort documentation for 126 food service workers paid with funds through both ESF and another federal program.

We consider this internal control deficiency to be a significant deficiency.

Cause of Condition

District officials did not know about the requirement to obtain time-and-effort documentation for staff paid with funds through ESF and another federal program.

Effect of Condition

The District did not obtain time-and-effort documentation for 126 employees whose payroll and benefits costs totaling \$2,768,175 were charged to the ESF program.

Without adequate time-and-effort documentation, the District cannot demonstrate compliance with the granting agency's documentation requirements to support costs charged to federal programs. Further, the District cannot assure federal grantors that payroll costs charged to the program were accurate and valid.

During the audit, the District supported these payroll costs by providing alternative documentation to show the employees worked on the programs, so we are not questioning these costs.

Recommendation

We recommend the District design and follow internal controls to ensure employees complete time-and-effort documentation to support payroll costs charged to federal programs.

District's Response

The district acknowledges that it did not provide individual employee signatures as part of a time & effort (T&E) demonstration for employees in the Child Nutrition Program partially charged to ESSER. The district's misunderstanding of this requirement is due in part to the diverging guidance provided from OSPI and the US Department of Education (USDOE); USDOE has notified us in writing that they do not require T&E for ESSER 2 & 3 expenditures fitting this description. It is unusual for state and federal guidance to diverge in this way for a federal program, but the district acknowledges the OSPI requirement and has prepared a corrective action plan accordingly. The compliance issue cited is solely one of documentation, rather than the actual allowability of the costs.

Auditor's Remarks

We appreciate the District's commitment to resolving the issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Office of Superintendent of Public Instruction Addendum to Bulletin 048-17 established requirements for documenting time and effort.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Kent School District No. 415 September 1, 2021 through August 31, 2022

2022-002 The District did not have adequate internal controls for ensuring compliance with federal procurement requirements.

Assistance Listing Number and Title:	84.027 – Special Education Grants to States 84.173 – COVID-19 – Special Education Preschool Grants 84.173 – Special Education Preschool Grants
Federal Grantor Name:	U.S. Department of Education, Office of Special Education and Rehabilitation Services
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Office of Superintendent of Public Instruction (OSPI)
Pass-through Award/Contract Number:	307485, 338471
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Background

The District spent \$5,888,268 in Special Education Cluster grant funds during the 2021–22 school year. The objective of the Special Education program is to help education agencies provide special education and related services to all children with disabilities.

Federal regulations require recipients of federal awards to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

When using federal funds to purchase goods or services, governments must apply the most restrictive of federal requirements, state law, or local policies by obtaining quotes or following a competitive bid process, depending on the estimated cost of the purchase. Governments must also keep documentation supporting the procurement method they used. District policy conforms to the most restrictive laws for purchases, requiring written quotations from three or more qualified sources for purchases of goods and services costing between \$10,000 and \$250,000.

In addition, state and federal requirements allow local entities to bypass normal procurement laws through a process commonly referred to as “piggybacking.” This process allows entities to purchase goods and services using contracts awarded by another government or group of governments via an interlocal agreement or cooperative. To comply with piggybacking requirements under state law, the entity must enter into this interlocal agreement or cooperative and confirm the awarding entity followed all procurement laws and regulations applicable to the awarding entity before it purchases services or goods from the other entity’s contract.

A nonpublic agency (NPA) is an entity authorized by the Office of Superintendent of Public Instruction under Chapter 28A.300 RCW to contract with a school district to provide a program of special education services for students whose special education needs cannot be met by their resident school district. NPAs are non-procurement transactions, so districts do not have to demonstrate competition.

Description of Condition

Our audit found the District did not have adequate internal controls for ensuring compliance with federal procurement requirements. Specifically, the District procured special education services from a professional service contractor at a total cost of \$837,361 without obtaining sealed bids or announcing a request for proposals, as federal regulations and District policy require. The District also piggybacked onto another government’s contract to purchase special education curriculum totaling \$75,717, but did not retain supporting documentation showing it verified the awarding government followed applicable procurement requirements before purchasing the services.

We consider these deficiencies in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

The District had worked previously with the professional service contractor. Staff thought the District did not need to competitively procure the services because the contractor was on the NPA list. However, the contractor was no longer on the NPA list during the audit period, and District staff did not know this before purchasing the services. In addition, staff did not know the District needed to obtain procurement documentation from the awarding agency to verify the process complied with procurement requirements before purchasing the curriculum.

Effect of Condition and Questioned Costs

Without effective internal controls that ensure it follows procurement and piggybacking procedures, the District cannot demonstrate it complied with applicable federal procurement requirements and received the best price for the curriculum.

Recommendation

We recommend the District establish and follow internal controls to ensure it complies with procurement requirements for purchases of goods and services.

District's Response

The district acknowledges that it did not request and retain the competitive bid documentation in a situation where it "piggy-backed" on another governmental entity's purchase of special education curriculum materials. It further acknowledges that it mistakenly coded expenses for a professional service contractor to federal rather than state special education funds; this triggered procurement requirements which were unintended. The compliance issues cited are solely related to documentation, rather than the actual allowability of the costs.

Auditor's Remarks

We appreciate the District's commitment to resolving the issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 318, General procurement standards, establishes requirements for written procedures.

Title 2 CFR Part 200, Uniform Guidance, Section 319 — Competition, establishes all procurement transactions are to be conducted in a manner providing full and open competition.

Title 2 CFR Part 200, Uniform Guidance, section 320, Methods of procurement to be followed, establishes requirements for procuring with federal funds by nonfederal entities.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Kent School District No. 415 September 1, 2021 through August 31, 2022

2022-003 The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, procurement, and restricted purpose requirements.

Assistance Listing Number and Title:	32.009, COVID-19 – Emergency Connectivity Fund Program
Federal Grantor Name:	Federal Communications Commission
Federal Award/Contract Number:	CPF
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$9,289,675
Prior Year Audit Finding:	N/A

Background

The Emergency Connectivity Fund (ECF) Program provides funding to meet the needs of students and school staff who would otherwise lack access to connected devices and broadband connections sufficient to engage in remote learning. This is referred to as “unmet need.” In fiscal year 2022, the District spent \$9,405,485 in ECF Program funds to purchase tablets, mobile hotspots, routers, and broadband services for students and school staff.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Allowable activities and costs

ECF Program recipients may only seek reimbursement for the eligible devices and services provided to students and staff with unmet need. Recipients are prohibited from seeking and receiving reimbursement for eligible equipment and services purchased for use solely at the school or held for future use (i.e., warehousing).

Procurement

When using ECF Program funds to purchase eligible services and equipment, the Federal Communications Commission (FCC) requires recipients to comply with all applicable state or local procurement laws by obtaining quotes or following a competitive bidding process, depending on the estimated cost of the purchase. State law and District policy allows for the purchase of goods and services from contracts awarded by another government or group of governments via an interlocal agreement or contract, often referred to as “piggybacking.” If entering into such an agreement, the District must confirm the awarding entity followed all procurement laws and regulations applicable to the awarding entity when selecting the service provider.

Restricted purpose – unmet need

When submitting applications to the FCC, schools only had to provide an estimate of their students’ and staff’s unmet need. However, when requesting reimbursement, the District could only request program funds for eligible equipment and services provided to students and school staff with actual unmet need.

Restricted purpose – per-user limitations

The FCC imposed per-location and per-user limitations to maximize the use of limited funds. Under the program, eligible schools could only be reimbursed for one connected device and Wi-Fi hotspot per student or school employee with unmet need.

Description of Condition

Allowable activities and costs/restricted purpose – unmet need

The District estimated unmet need for eligible equipment and services when it applied for ECF Program funds. However, our audit found the District’s internal controls were ineffective for ensuring it documented the determination of actual unmet need and only requested reimbursement for equipment and services provided to students and school staff. Specifically, the District purchased tablet computers,

Wi-Fi hotspots and routers, based on its estimate of unmet need, and it requested reimbursement for these purchases totaling \$9,405,845. However, the District did not maintain documentation showing it provided each tablet computer, Wi-Fi hotspot, and router paid with program funds to a student or employee with unmet need.

Procurement

Our audit found the District's internal controls were ineffective for ensuring it followed state law and its own policy when procuring equipment that it charged to the ECF Program. Specifically, the District paid one contractor \$9,062,998 for tablet computers using a purchasing cooperative. However, the District did not maintain documentation showing it verified the awarding entity met the most restrictive procurement practices applicable to that entity. The District also paid two contractors a total of \$254,768 for mobile hotspots, but did not obtain quotes from three or more qualified sources, as its policy requires.

Restricted purpose – per-location and per-user limitations

Our audit found the District's internal controls were ineffective for demonstrating it complied with the FCC's per-location and per-user limitations. Specifically, the District did not maintain documentation showing it monitored or had a tracking process in place to ensure it only provided one device per user and location.

We consider these deficiencies in internal controls to be material weaknesses that led to material noncompliance.

This issue was not reported as a finding in the prior audit.

Cause of Condition

Allowable activities and costs/restricted purpose – unmet need

District staff did not know about the requirement to request reimbursement only for actual unmet need, and thought the estimate of unmet need provided during the application process was sufficient to comply with this requirement. District staff who were authorized to order eligible equipment and services did not know about the required certifications stating that the District was only seeking reimbursement for eligible equipment and/or services provided to students or employees with unmet need.

Procurement

Staff did not know they needed to obtain procurement documentation from the awarding agency to verify the process complied with procurement requirements before purchasing. Staff also did not know they needed to retain documentation to support the procurement history of the mobile hotspots purchased from the two contractors.

Restricted purpose – per-location and per-user limitations

Staff said they did not know the District could not provide more than one device and/or connection per student and employee.

Effect of Condition and Questioned Costs

Allowable activities and costs/restricted purpose – unmet need

Because the District did not have documentation supporting whether it provided eligible equipment and services to students and school staff with actual unmet need, it cannot demonstrate compliance with the program's requirements. Given the nature of the program and circumstances, it is likely that at least some of the equipment and services the District charged to the award addressed unmet needs. However, the lack of a documented assessment of students' and staff's actual unmet need means that all costs are unsupported. Since we do not have a reasonable basis for estimating how much of the District's expenditures are allowable, we are questioning all unsupported costs.

Federal regulations require the State Auditor's Office to report known questioned costs that are greater than \$25,000 for each type of compliance requirement. We question costs when we find the District does not have adequate documentation to support expenditures.

Procurement

The District cannot demonstrate it complied with the procurement requirements. Additionally, it cannot be sure all interested contractors had the opportunity to bid and that it obtained the lowest price for the tablet purchases and wireless services.

Restricted purpose – per-location and per-user limitations

Because the District provided some students and staff more than one device and received reimbursement for them, it did not comply with the FCC's requirement. As noted in the allowable activities and costs section above, we are questioning the costs for these devices and services.

Recommendation

We recommend the District work with the granting agency to determine audit resolution.

We further recommend the District establish and follow internal controls to ensure staff fully understand the requirements for ECF awards. Specifically, the District should:

- Request reimbursement only for eligible equipment provided to students or staff with unmet need, and maintain documentation demonstrating compliance
- Comply with state law *and* its own policy when procuring goods and services paid with ECF Program funds, and keep documentation showing it complied with procurement requirements
- Provide no more than one device per student and staff in compliance with the ECF Program's requirements

District's Response

It is KSD's position that all expenditures and actions associated with our implementation of the Emergency Connectivity Fund (ECF) during the Pandemic were entirely consistent with the spirit and intent of this emergency federal program. KSD's understanding is that a vast majority of districts audited in this program are receiving findings, and that state officials are in discussions with the Federal Communications Commission (FCC) to achieve greater regularity clarity moving forward. The district appreciates the State Auditor's acknowledgement in a June 5th Seattle Times editorial that greater clarity would have prevented nearly all of the issues confronting school districts in this most recent audit cycle. We agree.

Under the emergency conditions of the Pandemic, KSD was approved for funding by the Federal Communications Commission (FCC) and mobilized quickly to provide the devices necessary to equip students and staff for an emergency remote or hybrid program of instruction. Based on the instructional program design, the district provided devices to students and staff who needed them based on a number of factors, including whether they had a device to begin with, or whether their existing device was up to technical standards, including whether it had all required software and security features to support the program.

The district acknowledges that it is not able to produce the time-stamped documentation required by SAO to verify the district’s process for determining “unmet student need”; doing so would have apparently required a student-by-student, staff-by-staff signature certification process during a Pandemic period where such methods would seem highly impractical. The district also acknowledges that it did not request and retain the competitive bid documentation from the purchasing cooperative used to procure some of the devices. Finally, it acknowledges the limitations of our asset management inventory to prove, at a historical moment in time, that we did not have multiple devices allocated to one student, or any devices in temporary inventory that were funded with these ECF funds. As a policy, KSD only allocates multiple devices to a student or staff person when one is temporarily dysfunctional.

The ECF audit findings are an issue of statewide concern. We join the voices from districts across the state asserting that more intergovernmental coordination could have greatly reduced unintended impacts on school districts during this audit cycle.

Auditor’s Remarks

The State Auditor’s Office is sympathetic to the significant challenges the District faced during the COVID-19 pandemic, and deeply respects its commitment to student learning despite these challenges. SAO knows that in many cases, governments across Washington received significant pandemic-era federal funds without also receiving clear guidance on how to use them. Then, and now, SAO continues to advocate for clear, timely guidance from federal agencies to make sure Washington governments are not put in a difficult position at audit time.

However, when auditing federal programs of any kind, governments must provide documentation to substantiate that they met the award requirements. As is our practice and audit standards require, we will review the status of this finding during our next audit. We value our partnership with the District in striving for transparency in public service.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 47 CFR Part 54, *Universal Service*, Subpart Q, Emergency Connectivity Fund, describes the ECF Program requirements.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Kent School District No. 415 September 1, 2021 through August 31, 2022

This schedule presents the status of findings reported in prior audit periods.

Audit Period: 9/1/2021-8/31/2022	Report Reference No.: 1030682	Finding Ref. No.: 2021-001	ALN Number(s): 84.425
Federal Program Name and Granting Agency: COVID 19 – Education Stabilization Fund, U.S. Department of Education		Pass-Through Agency Name: Office of Superintendent of Public Instruction (OSPI)	
Finding Caption: The District did not have internal controls for ensuring compliance with federal time-and-effort documentation requirements.			
Background: The objectives of the Education Stabilization Fund (ESF) are to prevent, prepare for, and respond to the COVID-19 pandemic. During fiscal year 2021, the District spent \$2,490,266 in federal funding from the Elementary and Secondary School Emergency Relief (ESSER) Fund subprogram award funded by the Coronavirus Aid, Relief, and Economic Security (CARES) Act (ESSER I). Federal regulations require award recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls. Federal regulations and the Office of Superintendent of Public Instruction (OSPI) require the District to have adequate time-and-effort documentation to support all payroll costs charged to the ESSER I award. Depending on the number and types of activities employees perform, time-and-effort documentation can be a semiannual certification or monthly personnel activity reports, such as a detailed timesheet.			
Corrective action the auditee plans to take in response to the finding: Time and effort is no longer required for ESSER 2 & 3 so corrective action will be unnecessary within that program and funding source. ESSER 1 funding in the district has been fully claimed at this time. The Executive Director will do a review meeting with internal budget and accounting staff in June of 2022 and ensure that time and effort filing requirements are being met for all non-ESSER programs in preparation for the 2022-23 school year. This meeting and preliminary verification will be complete by August 1, 2022.			

Status of Corrective Action: (check one)

Fully
Corrected

Partially
Corrected

Not Corrected

Finding is considered no
longer valid

Corrective Action Taken:

The district is following the OSPI approved time-and-effort process to ensure adequate documentation is maintained in support of all payroll costs charged to federal programs.

On May 31, 2022, the Executive Director held a meeting with internal budget and accounting staff to review Finding Ref. No. 2021-001 and discuss a corrective action plan. This included an assessment of internal controls to ensure compliance with federal time-and-effort documentation requirements.

A follow up meeting was conducted on June 3, 2022, to finalize and implement the corrective action plan, to include certification of time-and-effort for all employees that may be charged in part to ESSER II or III and other federal programs, as well as certification of time-and-effort for employees working in single or multi-objective federal programs.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Kent School District No. 415 September 1, 2021 through August 31, 2022

Board of Directors
Kent School District No. 415
Kent, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Kent School District No. 415, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 30, 2023.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because, as described in Note 1, the *Accounting Manual for Public School Districts in the State of Washington* does not require the District to prepare the government-wide statements presenting the financial position and changes in financial position of its governmental activities as required by GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Kent School District No. 415 September 1, 2021 through August 31, 2022

Board of Directors
Kent School District No. 415
Kent, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Adverse and Unmodified Opinions

We have audited the compliance of Auburn School District No. 408, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Adverse Opinion on 32.009 – COVID-19 – Emergency Connectivity Fund Program

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section of our report, the District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 32.009 – COVID-19 – Emergency Connectivity Fund Program for the year ended August 31, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended August 31, 2022.

Basis for Adverse and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Adverse Opinion on 32.009 – COVID-19 – Emergency Connectivity Fund Program

As described in the accompanying Schedule of Findings and Questioned Costs and in Finding 2022-003, the District did not comply with requirements regarding 32.009 – COVID-19 – Emergency Connectivity Fund Program for activities allowed, allowable costs, and restricted purposes special test requirements. Compliance with such requirements is necessary, in our opinion for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures also disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. In the accompanying Schedule of Federal Award Findings and Questioned Costs, we consider the deficiencies described in Findings 2021-002 and 2021-003 to be material weaknesses and the deficiencies described in Finding 2021-001 to be a significant deficiency.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Kent School District No. 415 September 1, 2021 through August 31, 2022

Board of Directors
Kent School District No. 415
Kent, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Kent School District No. 415, as of and for the year ended August 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on Regulatory Basis of Accounting (Accounting Manual)

As described in Note 1 the District has prepared these financial statements to meet the financial reporting requirements of state law and the accounting practices prescribed by the *Accounting Manual for Public School Districts in the State of Washington* (Accounting Manual). Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of Kent School District No. 415, as of the year ended August 31, 2022, and the regulatory basis of changes in financial position thereof for the year then ended, on the basis of accounting as described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kent School District No. 415, as of August 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Governmental Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the government-wide financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the Accounting Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of state law and the Accounting Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Long-Term Liabilities is also presented for purposes of additional analysis, as required by the prescribed Accounting Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and

other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

October 30, 2023

Kent School District No. 415
September 1, 2021 through August 31, 2022

FINANCIAL STATEMENTS

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Schedule of Long-Term Liabilities – 2022
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

Kent School District No. 415
Balance Sheet - Governmental Funds

August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Assets							
Cash and Cash Equivalents	80,466,575.19	2,207,713.82	23,388,262.52	79,442,964.94	1,467,623.53	192,969.53	187,166,109.53
Minus Warrants Outstanding	-1,618,955.71	-24,034.44	0.00	-101,624.32	0.00	0.00	-1,744,614.47
Taxes Receivable	35,216,429.15		17,337,230.18	11,972,163.47	0.00	0.00	64,525,882.80
Due From Other Funds	264,711.90	146,549.40	0.00	88,080.00	0.00	0.00	499,341.30
Due From Other Governmental Units	3,716,156.73	0.00	362,607.07	5,088,080.00	0.00	0.00	9,166,843.80
Accounts Receivable	444,754.26	0.00	0.00	0.00	0.00	0.00	444,754.26
Interfund Loans Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	898,021.19	0.00	0.00	0.00	0.00	0.00	898,021.19
Prepaid Items	3,606,300.19	300.00	0.00	0.00	0.00	0.00	3,606,600.19
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments/Cash With Trustee	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments-Deferred Compensation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Self-Insurance Security Deposit	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS	122,993,992.90	2,330,528.78	41,088,159.77	96,489,664.09	1,467,623.53	192,969.53	264,562,938.60
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	122,993,992.90	2,330,528.78	41,088,159.77	96,489,664.09	1,467,623.53	192,969.53	264,562,938.60
LIABILITIES							
Accounts Payable	11,459,235.43	90,281.38	4,958.76	4,395,277.18	484.57	76.29	15,950,313.61
Contracts Payable Current	220,970.72	0.00	0.00	0.00	0.00	0.00	220,970.72
Accrued Interest Payable			0.00				0.00

The accompanying notes are an integral part of this financial statement.

Kent School District No. 415
Balance Sheet - Governmental Funds

August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Accrued Salaries	272.25						272.25
Anticipation Notes Payable	0.00		0.00		0.00		0.00
LIABILITIES:							
Payroll Deductions and Taxes Payable	4,085,853.76			0.00			4,085,853.76
Due To Other Governmental Units	2,029,225.99			0.00	0.00		2,029,225.99
Deferred Compensation Payable	43.58			0.00			43.58
Estimated Employee Benefits Payable	3,941,740.26						3,941,740.26
Due To Other Funds	234,644.40	11,525.44	0.00	253,171.46	0.00	0.00	499,341.30
Interfund Loans Payable	0.00		0.00		0.00		0.00
Deposits	0.00			0.00			0.00
Unearned Revenue	0.00			0.00			0.00
Matured Bonds Payable				0.00			0.00
Matured Bond Interest Payable				0.00			0.00
Arbitrage Rebate Payable	0.00			0.00			0.00
TOTAL LIABILITIES	21,971,986.39	101,806.82	4,958.76	4,648,448.64	484.57	76.29	26,727,761.47
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	11,856.46			0.00			11,856.46
Unavailable Revenue - Taxes Receivable	35,216,429.15		17,337,290.18	11,972,163.47			64,525,882.80
TOTAL DEFERRED INFLOWS OF RESOURCES	35,228,285.61		17,337,290.18	11,972,163.47	0.00	0.00	64,537,739.26
FUND BALANCE:							
Nonspendable Fund Balance	4,504,321.38	300.00		0.00		165,000.00	4,669,621.38
Restricted Fund Balance	7,120,236.72	2,228,421.96	23,745,910.83	42,411,701.77	1,467,138.96		76,973,410.24
Committed Fund Balance	0.00			36,248,515.31			36,248,515.31
Assigned Fund Balance	23,420,869.82			1,208,834.90		27,893.24	24,657,597.96

The accompanying notes are an integral part of this financial statement.

Kent School District No. 415

Balance Sheet - Governmental Funds

August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Unassigned Fund Balance	30,748,292.98	0.00	0.00	0.00	0.00	0.00	30,748,292.98
TOTAL FUND BALANCE	65,793,720.90	2,228,721.96	23,745,910.83	79,869,051.98	1,467,138.96	192,893.24	173,297,437.87
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	122,993,992.90	2,330,528.78	41,088,159.77	96,489,664.09	1,467,623.53	192,969.53	264,562,938.60

The accompanying notes are an integral part of this financial statement.

Kent School District No. 415

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the Year Ended August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
REVENUES:							
Local	72,490,989.58	1,152,673.87	32,681,868.45	26,634,928.48	2,822.05		132,963,282.43
State	315,117,691.74		0.00	3,787,685.26	1,315,422.72		320,220,799.72
Federal	63,796,586.64		725,214.14	5,088,080.00	0.00		69,609,880.78
Other	681,039.71			0.00	0.00	1,239.96	682,279.67
TOTAL REVENUES	452,086,307.67	1,152,673.87	33,407,082.59	35,510,693.74	1,318,244.77	1,239.96	523,476,242.60
EXPENDITURES:							
CURRENT:							
Regular Instruction	242,656,348.46						242,656,348.46
Special Education	63,637,948.62						63,637,948.62
Vocational Education	15,735,015.41						15,735,015.41
Skill Center	0.00						0.00
Compensatory Programs	32,060,523.10						32,060,523.10
Other Instructional Programs	2,148,903.29						2,148,903.29
Federal Stimulus COVID-19	5,041,356.78						5,041,356.78
Community Services	529,343.76						529,343.76
Support Services	78,685,929.03						78,685,929.03
Student Activities/Other		1,020,715.04				18.79	1,020,733.83
CAPITAL OUTLAY:							
Sites				3,507,761.83			3,507,761.83
Building				16,472,443.36			16,472,443.36
Equipment				2,201,091.08			2,201,091.08
Instructional Technology				27,219,691.76			27,219,691.76
Energy				0.00			0.00
Transportation Equipment					273,965.80		273,965.80
Sales and Lease						1,669.38	1,669.38
Other	2,023,995.92						2,023,995.92
DEBT SERVICE:							
Principal	545,280.60		20,920,000.00	0.00	0.00		21,465,280.60

The accompanying notes are an integral part of this financial statement.

Kent School District No. 415

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For the Year Ended August 31, 2022

	General Fund	ASB Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Permanent Fund	Total
Interest and Other Charges	57,276.80		9,872,088.43	0.00	0.00		9,929,365.23
Bond/Levy Issuance				288,602.00	0.00		288,602.00
TOTAL EXPENDITURES	443,121,921.77	1,020,715.04	30,792,088.43	49,691,259.41	273,965.80	18.79	524,899,969.24
REVENUES OVER (UNDER) EXPENDITURES	8,964,385.90	131,958.83	2,614,994.16	-14,180,565.67	1,044,278.97	1,221.17	-1,423,726.64
OTHER FINANCING SOURCES (USES) :							
Bond Sales & Refunding Bond Sales	0.00		3,084.70	42,288,502.00	0.00		42,291,586.70
Long-Term Financing	0.00			0.00	0.00		0.00
Transfers In	472,489.50		4,619,786.53	0.00	0.00		5,092,276.03
Transfers Out (GL 536)	-2,182,476.25		0.00	-2,261,589.19	-648,210.59	0.00	-5,092,276.03
Other Financing Uses (GL 535)	0.00		0.00	0.00	0.00		0.00
Other	11,119.99		0.00	0.00	8,005.70		19,125.69
TOTAL OTHER FINANCING SOURCES (USES)	-1,698,866.76		4,622,871.23	40,026,912.81	-640,204.89	0.00	42,310,712.39
EXCESS OF REVENUES/OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	7,265,519.14	131,958.83	7,237,865.39	25,846,347.14	404,074.08	1,221.17	40,886,985.75
BEGINNING TOTAL FUND BALANCE	58,528,201.76	2,096,763.13	16,508,045.44	54,022,704.84	1,063,064.88	191,672.07	132,410,452.12
Prior Year(s) Corrections or Restatements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ENDING TOTAL FUND BALANCE	65,793,720.90	2,228,721.96	23,745,910.83	79,869,051.98	1,467,138.96	192,893.24	173,297,437.87

The accompanying notes are an integral part of this financial statement.

Kent School District No. 415
Statement of Fiduciary Net Position
August 31, 2022

	Custodial Funds	Private Purpose Trust
ASSETS:		
Imprest Cash	0.00	0.00
Cash On Hand	0.00	0.00
Cash On Deposit with Cty Treas	0.00	147,650.06
Minus Warrants Outstanding	0.00	0.00
Due From Other Governmental Units	0.00	4,255.30
Accounts Receivable	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Investments	0.00	0.00
Investments/Cash With Trustee	0.00	0.00
Other Assets	0.00	0.00
Capital Assets, Land	0.00	0.00
Capital Assets, Buildings	0.00	0.00
Capital Assets, Equipment	0.00	0.00
Accum Depreciation, Buildings	0.00	0.00
Accum Depreciation, Equipment	0.00	0.00
TOTAL ASSETS	0.00	151,905.36
LIABILITIES:		
Accounts Payable	0.00	1,036.00
Due To Other Governmental Units	0.00	0.00
TOTAL LIABILITIES	0.00	1,036.00
NET POSITION:		
Restricted for:		
Restricted For Intact Trust Principal	0.00	0.00
Restricted for Individuals, Organizations, and Other Governments - CF	0.00	
Restricted for Individuals, Organizations, and Other Governments - PPT		150,869.36
Restricted For Other Purposes	0.00	0.00
TOTAL NET POSITION	0.00	150,869.36

The accompanying notes are an integral part of this financial statement.

Kent School District No. 415
Statement of Changes in Fiduciary Net Position
For the Year Ended August 31, 2022

	Custodial Funds	Private Purpose Trust
ADDITIONS:		
Contributions:		
Private Donations	0.00	7,125.00
Employer		0.00
Members		0.00
Other	0.00	0.00
TOTAL CONTRIBUTIONS	0.00	7,125.00
Investment Income:		
Net Appreciation (Depreciation) in Fair Value	0.00	0.00
Interest and Dividends	93.46	986.61
Less Investment Expenses	0.00	0.00
Net Investment Income	93.46	986.61
Other Additions:		
Rent or Lease Revenue	0.00	0.00
Total Other Additions	0.00	0.00
TOTAL ADDITIONS	93.46	8,111.61
DEDUCTIONS:		
Benefits		39,593.34
Refund of Contributions	0.00	0.00
Administrative Expenses	1.46	14.98
Scholarships	0.00	
Other	92.00	0.00
TOTAL DEDUCTIONS	93.46	39,608.32
Net Increase (Decrease)	0.00	-31,496.71
Net Position - Beginning Balance	0.00	182,366.07
Prior Year(s) Corrections or Restatements	0.00	0.00
NET POSITION - ENDING	0.00	150,869.36

The accompanying notes are an integral part of this financial statement.

Kent School District No. 415
Notes to the Financial Statements
September 1, 2021 through August 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kent School District is a municipal corporation organized pursuant to Title 28A of the Revised Code of Washington (RCW) for the purposes of providing public school services to students in grades K-12. Oversight responsibility for the District's operations is vested with the independently elected board of directors. Management of the District is appointed by and is accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The District presents governmental fund financial statements and related notes on the modified accrual basis of accounting in accordance with the *Accounting Manual for Public School Districts in the State of Washington*, issued jointly by the State Auditor's Office and the Superintendent of Public Instruction by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- (1) Districtwide statements, as defined in GAAP, are not presented.
- (2) A Schedule of Long-Term Liabilities is presented as supplementary information.
- (3) Supplementary information required by GAAP is not presented.
- (4) Property Taxes collected after the end of the fiscal period are not considered available for revenue accrual as described below.

Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. All funds are considered major funds. The various funds in the report are grouped into governmental (and fiduciary) funds as follows:

Governmental Funds

General Fund

This fund is used to account for all expendable financial resources, except for those that are required to be accounted for in another fund. In keeping with the principle of having as few funds as are necessary, activities such as food services, maintenance, data processing, printing, and student transportation are included in the General Fund.

Capital Projects Funds

These funds account for financial resources that are to be used for the construction or acquisition of major capital assets. There are two funds that are considered to be of the capital projects fund type: the Capital Projects Fund and the Transportation Vehicle Fund.

Capital Projects Fund. This fund is used to account for resources accumulated for the acquisition and construction of major capital assets such as land and buildings.

Transportation Vehicle Fund. This fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures that relate to pupil transportation equipment.

Debt Service Fund

This fund is used to account for the accumulation of resources for and the payment of matured general long-term debt principal and interest.

Special Revenue Fund

In Washington State, the only allowable special revenue fund for school districts is the Associated Student Body (ASB) Fund. This fund is accounted for in the District's financial statements as the financial resources legally belong to the District. As a special revenue fund, amounts within the ASB Fund may only be used for those purposes that relate to the operation of the Associated Student Body of the District.

Permanent Funds

These funds are used to report resources that are legally restricted such that only earnings, and not principal, may be expended. Amounts in the Permanent Fund may only be spent in support of the District's programs and may not be used to the benefit of any individual. The district has one Permanent Fund (Reeploeg Permanent Fund), with a principal amount of \$165,000. Investment earnings may be used for the purposes that support the district's performing arts programs. The district accumulates interest income and can make a distribution every 7 years. The last distribution was made in 2010. This fund was donated by the Reeploeg family.

Fiduciary Funds

Fiduciary funds can include pension and other employee benefit trust funds, private-purpose trust funds, and custodial funds, and are used to account for assets that are held in trust by the District in a fiduciary capacity.

Private-Purpose Trust Fund

This fund is used to account for resources that are legally held in trust by the District. The trust agreement detail whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the District's programs, but may be used to benefit individuals, private organizations, or other governments.

The district has a number of scholarships for post-secondary education, as well as several sources of funding to benefit individuals, which are held in a private-purpose trust fund,

Custodial Funds

These funds are used to account for assets that the District holds on behalf of others in a purely custodial capacity.

Measurement focus, basis of accounting, and fund financial statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Categorical program claims and inter-district billings are measurable and available and are accrued. Property taxes not collected by the fiscal year end are measurable and recorded as a receivable, however the receivable is not considered available revenue and is recorded as a deferred inflow of resources.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date. (Obligation means a purchase order has been issued,

contracts have been awarded, or goods and/or services have been received.)

Budgets

Chapter 28A.505 RCW and Chapter 392-123 of the Washington Administrative Code (WAC) mandate school district budget policies and procedures. The board adopts annual appropriated budgets for all governmental funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Appropriations lapse at the end of the fiscal period.

Budgets are adopted on the same modified accrual basis as used for financial reporting. Fund balance is budgeted as available resources and, under statute, may not be negative, unless the District enters into binding conditions with state oversight pursuant to RCW 28A.505.110.

District Policy regarding the application of restricted or unrestricted resources

The District receives state funding for specific categorical education-related programs. Amounts that are received for these programs that are not used in the current fiscal year may be carried forward into the subsequent fiscal year, where they may be used only for the same purpose as they were originally received. When the District has such carryover, those funds are expended before any amounts received in the current year are expended.

Additionally, the District has other restrictions placed on its financial resources. When expenditures are recorded for purposes for which a restriction or commitment of fund balance is available, those funds that are restricted or committed to that purpose are considered first before any unrestricted or assigned amounts are expended.

Fund balance classifications policies and procedures.

The District classifies ending fund balance for its governmental funds into five categories.

- *Nonspendable Fund Balance* – The amounts reported as Nonspendable are resources of the District that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – Amounts that are reported as Restricted are those resources of the District that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their usage.
- *Committed Fund Balance* – Amounts that are reported as committed are those resources of the District that have had a limitation placed upon their usage by formal action of the District's board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose of the limitation is removed by a subsequent formal action of the board of directors.
- *Assigned Fund Balance* – In the General Fund, amounts that are reported as Assigned are those resources that the District has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance, but may not reduce the balance below zero.

In other governmental funds, Assigned fund balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only

available for expenditure in that fund and may not be used in any other fund without formal action by the District's board of directors and as allowed by statute.

The Superintendent or the Associate Superintendent of Finance are the only persons who have the authority to create Assignments of fund balance.

- *Unassigned Fund Balance* – In the General Fund, amounts that are reported as Unassigned are those net spendable resources of the District that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund.

In other governmental funds, Unassigned fund balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned fund balance means that the legal restrictions and formal commitments of the District exceed its currently available resources.

Currently, the district's board of directors has directed management, in its policy #6022, that the district shall have a goal of maintaining a minimum fund balance in its general fund at least equal to 5% of the previous year's general fund operating expenditures. This is intended to recognize the importance of maintaining a prudent fund balance in the general fund to ensure operational cash flow needs are met, to set aside resources for known obligations, and to help protect against unforeseen circumstances. Funds under this board policy are considered unassigned, but attributable to a minimum fund balance policy.

Cash and Cash Equivalents

All of the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

The District's receivables and payables reflect current financial resources or obligations that are expected to be collected or paid within one year. The district currently has no receivables or payables which are not expected to be collected or paid within one year.

Inventory

Inventories recorded as assets for the district consist of food, fuel, and transportation parts. Inventory is valued at cost using the first-in, first-out (FIFO) method. The consumption method of inventory is used, which charges inventory as an expenditure when it is consumed. A portion of fund balance, representing inventory, is considered Nonspendable. Inventory for fuel is approximated by using the last purchase price to value the periodic inventory count. USDA commodity inventory consists of food donated by the United State Department of Agriculture. It is valued at the prices paid by the USDA for the commodities.

Deferred Outflows and Inflows of Resources

Certain items related to the consumption or the acquisition of assets that are applicable to a future period are reported as deferred outflows of resources and deferred inflows of resources.

Deferred Outflows and Inflows of Resources are reported as separate sections in the district's balance sheet.

A *deferred outflow of resources* is considered to be a consumption of assets by the government that is applicable to a future reporting period. The district did not have any items that qualified for reporting in the category of a deferred outflow of resources.

A *deferred inflow of resources* is considered to be an acquisition of assets by the government that is applicable to a future reporting period. The district has two items, which arises under a modified accrual basis of accounting that qualifies for reporting in the category of a deferred inflow of resources under the governmental funds financial statements:

- Funds received by the district, but for which future services have not yet been provided under contractual or legal requirements.
- Property taxes earned, but not yet available to meet the needs of current liabilities.

Under the modified-accrual method of accounting used in the governmental fund financial statements, these items are not reported as revenue until they are also available or can be used in accordance with contracts or legal requirements. Accordingly, these items are reported as deferred in the governmental funds balance sheet.

Accounting, Policy, and Reporting Changes for 2021-22

Leases

For the year ended August 31, 2022, the district implemented guidance for the presentation and disclosures of leases, as required by the School District Accounting Manual. These changes were in response to the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87.

NOTE 2: DEPOSITS AND INVESTMENTS

All of the District's bank balances are insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Statutes authorize the District to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

The King County Treasurer is the *ex officio* treasurer for the District and holds all accounts of the District. The District has directed the County Treasurer to invest those financial resources of the District that the District has determined are not needed to meet the current financial obligations of the District. These investments are held within the King County Investment Pool.

The district's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The district's participation in the King County Investment Pool is voluntary and the pool does not have a credit rating. The district reports its investment in the pool at the fair value amount, which is the same as the value of the pool per share. The fair value of the district's investment in the pool is measured using a net asset value (NAV) as determined by the pool. The pool maintains an average pool effective duration of 1.09 years.

All of the District's investments during the year and at year-end were insured or registered and held by the District or its agent in the District's name.

Washington State statutes authorize the district to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,

- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The District's investments as of August 31, 2022, are as follows:

Type of Investment	Fund	Carrying Amount	Fair Value
King Co. Investment Pool	General	\$ 79,419,497	\$ 77,576,965
	Capital Projects	79,389,767	77,547,925
	Debt Service	23,383,304	22,840,811
	Associated Student Body	2,201,614	2,150,537
	Transportation Vehicle	1,467,139	1,433,101
	Trust and Permanent Fund	340,543	332,643
	Total		\$ 186,201,864

More information on the King County investment pool, and various reports of the pool's performance can be obtained from King County Treasury Operations 201 South Jackson Street #710, Seattle, WA 98104 or on the following website: <https://kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.aspx>

Impaired Investment Pool

The district has investments with the King County investment pool that are impaired. These investments have been in this condition since September 1, 2008. The Impaired Pool currently holds one commercial paper asset (Victoria), in which the County accepted an exchange offer in 2009 and is receiving the cash flows from the investment's underlying securities.

The total fair value of the impaired investment pool with King County at August 31, 2022, was \$1.64 million and the total book value with King County was \$2.80 million. The district's recorded share of impaired investments in this pool is \$56,522.

NOTE 3: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

COVID-19 Pandemic

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus (COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting gathering sizes, and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K-12 school buildings which continued until April 2021. The school district, however, continued to operate, educating students using remote, continuous learning models. Students and staff began returning to in-person learning beginning second semester of the 2020-21 school year.

The district has experienced a significant decrease in enrollment, due to the COVID-19 pandemic, beginning in the 2020-2021 fiscal year and continuing through the current 2022-23 school year.

- Basic education average annual enrollment for the school year ending 08/31/2019, prior to the pandemic occurring in calendar year 2020 was reported at 25,382 full-time student equivalents (FTE).
- Basic education average annual enrollment for the school year ending 08/31/2021, during the midst of the pandemic was reported at 24,157 average student FTE.
- Basic education enrollment as of October 2022 has been reported at 24,132 student FTE. This is 809 student FTE less than the budgeted FTE of 24,941 for the 2022-23 school year. Potentially, this could result in a loss of budgeted revenue for the district of \$8,567,477.

Since the inception of the COVID-19 pandemic, as of the end of this fiscal year (08/31/2022), the district estimates it has spent \$37,776,982 on measures designed to mitigate the results of the COVID-19 pandemic. These funds have been reimbursed by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Elementary and Secondary School Emergency Relief (ESSER) funding and similar programs legislated to help with the costs incurred by the district for managing the effect of the pandemic.

NOTE 4: PENSION PLANS

General Information - Washington State Department of Retirement Systems

The district does not sponsor its own retirement plan but participates in plans offered by the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington. The district, also, participates in the Western Conference of Teamsters (WCT) Pension Plan.

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each pension plan. The pension plan’s basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The school district is reporting any potential net pension liability in this note and on the Schedule of Long-term Liabilities. The district’s net pension liability is calculated as the district’s proportionate allocation percentage multiplied by the total plan collective net pension liability.

The Collective Net Pension Liability - Washington State Department of Retirement Systems

The DRS total collective net pension liabilities for the pension plans that Washington school districts participate in are shown here.

Collective Net Pension Liability or (Asset) as of June 30, 2022 -- All Participants in State:				
Dollars in Thousands	PERS1	SERS2/3	TRS1	TRS2/3
Total Pension Liability (TPL)	\$ 11,877,621	\$ 8,478,821	\$ 8,739,146	\$ 22,946,845
Plan Fiduciary Net Position	\$ 9,093,254	\$ 8,747,471	\$ 6,837,316	\$ 23,143,631
Participating Employers' Net Pension Liability or (Asset)	\$ 2,784,367	\$ (268,650)	\$ 1,901,830	\$ (196,786)
Plan Fiduciary net position as a percentage of the Total Pension Liability (TPL)	76.56%	103.17%	78.24%	100.86%

Currently, the State of Washington is reporting net assets in its School Employees' Retirement System (SERS) plans 2/3 and Teachers' Retirement System (TRS) plans 2/3, as indicated in the chart above. Kent School District participates in these plans. The net pension assets in these two plans decreased significantly from last year: SERS 2/3 decreased from \$1,073,697 to \$268,650 and TRS 2/3 decreased from \$2,748,807 to \$196,786. Explanations from the Washington State Department of Retirement Services (DRS) indicates that there are several factors for this change, which include:

- Rate of returns for investments decreased from 28.7% to 5.4%, with a heavy impact on investment income.
- Actuarial assumptions changed based on a biennial economic experience study, and the total pension liability (TPL) was increased significantly based on the new assumptions.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS Annual Comprehensive Financial Report (ACFR). Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at: <https://www.drs.wa.gov/wp-content/uploads/2021/06/2022-ACFR.pdf>

Membership Participation - Washington State Department of Retirement Systems

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of June 30, 2022, was as follows:

Plan	Active Members	Inactive Vested Members	Retirees & Beneficiaries Receiving Benefits
PERS1	632	196	41,154
SERS2	33,622	7,186	13,480
SERS3	31,861	9,896	13,819
TRS1	111	63	29,731
TRS2	27,202	3,428	7,026
TRS3	54,336	8,681	18,956

Source: Washington State Office of the State Actuary

Membership & Plan Benefits - Washington State Department of Retirement Systems

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

TRS Plan Information

The Teachers' Retirement System (TRS) was established in 1938, and its retirement provisions are contained in RCW Chapters 41.34 and 41.32. TRS is a cost-sharing multi-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated, public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits

of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan Information

The Public Employees' Retirement System (PERS) was established in 1947, and its retirement benefit provisions are contained in RCW Chapters 41.34 and 41.40. PERS is a cost-sharing, multi-employer retirement system. PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS Plan Information

The School Employees' Retirement System (SERS) was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing, multiemployer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions - Washington State Department of Retirement Systems

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for all plans were effective as of September 1, 2021. PERS contribution rates changed on July 1, 2021. TRS and SERS plans will not have a contribution rate change until September 1, 2022. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2022 are listed below:

Pension Contribution Rates from July 1, 2021 to August 31, 2022			
	Employer	Employee	
PERS Plan 1	10.25%	6.00%	
Pension Contribution Rates from September 1, 2021 to August 31, 2022			
	Employer	Employee	
TRS Plan 1	14.42%	6.00%	
TRS Plan 2/3	14.42%	8.05%	*/**
SERS Plan 2/3	11.65%	7.76%	*/**
<i>Note: Employer rates include .0018 administrative fee</i>			

* TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.

** TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.

The School District's Proportionate Share of the Net Pension Liability (Asset) - Washington State Department of Retirement Systems

At June 30, 2022, the school district reported a total liability of \$59,278,262 for its proportionate shares of the individual plans' collective net pension liability and \$10,948,751 for its proportionate shares of net pension assets.

The district's share of net pension liabilities is reported on the district's Schedule of Long-Term Liabilities. However, the district's share of net pension assets is not reported in the financial statements, nor any supplemental financial schedules, of the district. The state and, consequently, the district are reporting net pension liabilities for the Teacher's Retirement System (TRS) 1 plan and the Public Employees Retirement System (PERS) 1 plan. However, currently, the State of Washington is reporting net assets in its School Employees' Retirement System (SERS) plans 2/3 and Teachers' Retirement System (TRS) plans 2/3 pension plans. Kent School District participates in these plans, as indicated in the chart below.

This change is explained by a net investment income increase of \$31 billion for the state's investments during the current fiscal year as compared to the prior year, almost entirely from increases in net realized and unrealized gains. The total current state fiscal year return of 28.7 percent increased substantially over the prior year return of 3.7 percent, which resulted in the significant increase in net investment income. Substantial increases in both the public and private equity market returns were the main drivers of the increased overall performance for the current fiscal year.

Proportions of net pension amounts are based on annual contributions for each of the employers participating in the DRS administered plans. As of June 30, 2022, the district's proportionate share of each plan's net pension liability (or assets) is reported below:

as of June 30, 2022:	PERS1	SERS2/3	TRS1	TRS2/3
District's Annual Contributions	\$ 2,575,711	\$ 5,052,750	\$ 12,836,951	\$ 15,874,155
Proportionate Share of the Net Pension Liability	\$ 11,702,015	\$ -	\$ 47,576,247	\$ -
Proportionate Share of the Net Pension Assets	\$ -	\$ (6,064,866)	\$ -	\$ (4,883,885)

As of June 30, 2022, the school district's percentage of the proportionate share of the collective net pension amount was as follows and the change in the allocation percentage from the prior period is illustrated below.

Change in Proportionate Shares	PERS1	SERS2/3	TRS1	TRS2/3
Current Year Proportionate Share	0.420276%	2.575340%	2.501604%	2.481825%
Prior Year Proportionate Share	0.373282%	2.339390%	2.468106%	2.485436%
Net Difference Percentage	0.046994%	0.235950%	0.033498%	-0.003611%

Actuarial Assumptions - Washington State Department of Retirement Systems

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2020, with the results rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary Increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment Rate of Return	7.0%

Mortality Rates - Washington State Department of Retirement Systems

Mortality rates used in the plans were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. The Office of the State Actuary (OSA) applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the *2013–2018 Demographic Experience Study Report* and the *2019 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

Long-term Expected Rate of Return - Washington State Department of Retirement Systems

OSA selected a 7.0% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The expected future rates of return are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2022, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%
Total	100.00%	

Source: Wa State Investment Board (WSIB)

The inflation component used to create the above table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate - Washington State Department of Retirement Systems

The discount rate used to measure the total pension liability was 7.0%. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.0% on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) - Washington State Department of Retirement Systems

The following table presents the Kent School District's proportionate share of the collective net pension liability or asset calculated using the discount rate of 7.0%, as well as what the net pension liability or asset would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage-point higher (8.0%) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability or asset.

Sensitivity of the Net Pension Liability or Asset to Changes in the Discount Rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERS 1	\$ 3,719,876,000	\$ 2,784,367,000	\$ 1,967,887,000
Allocation Percentage	0.420276%	0.420276%	0.420276%
Proportionate Share	\$ 15,633,731	\$ 11,702,015	\$ 8,270,549
SERS 2/3	\$ 929,172,000	\$ (268,650,000)	\$ (1,255,926,000)
Allocation Percentage	2.257534%	2.257534%	2.257534%
Proportionate Share	\$ 20,976,375	\$ (6,064,865)	\$ (28,352,958)
TRS 1	\$ 2,582,448,000	\$ 1,901,830,000	\$ 1,306,883,000
Allocation Percentage	2.501604%	2.501604%	2.501604%
Proportionate Share	\$ 64,602,611	\$ 47,576,247	\$ 32,693,032
TRS 2/3	\$ 3,565,129,000	\$ (196,786,000)	\$ (3,255,167,000)
Allocation Percentage	2.481825%	2.481825%	2.481825%
Proportionate Share	\$ 88,480,280	\$ (4,883,885)	\$ (80,787,564)

Western Conference of Teamsters (WCT) Pension Plan

Starting in January 2015, and continuing through to the present, employees of the district who are part of the International Brotherhood of Teamsters have participated in the Western Conference of Teamsters (WCT) Pension Plan. This retirement plan is a multiemployer pension plan, established in 1955 through collective bargaining between labor and management. It covers 223,253 active participants through pension agreements negotiated by local unions with more than 1,350 employers nationwide.

Kent School District has 122 participants in the plan. Employees contribute to the plan through payroll deductions made by the district. The district does not contribute to the plan as a benefit. The district

contributes, on behalf of the employees, to a state retirement plan (SERS or PERS) as a benefit for these employees. Employee contributions, made through district payroll deductions totaled \$287,867 during the fiscal year ending August 31, 2022.

The following information represents a synopsis of the WCT pension plan:

- Legal Name of the Plan..... Western Conference of Teamsters Pension Plan
- Three-Digit Plan Number..... 001
- Plan's E.I.N..... 91-6145047
- Certified Zone Status..... Green Zone – As of 1/1/2022
- Funded Status..... 98% as of 1/1/2022
- Funding Improvement Plan..... Not Applicable
- Surcharge..... Not Applicable
- Your Percentage of the Plan's
Total Contributions..... Less Than 5%

For more information on this plan, please see the following website:

<https://wctpension.org/>

NOTE 5: ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OPEB OBLIGATIONS

The district does not offer post-employment benefits to its retired employees. The state, through the Health Care Authority (HCA), administers a defined benefit other post-employment benefit (OPEB) plan that is not administered through a qualifying trust. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits, and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Benefits purchased by PEBB include medical, dental, life insurance and long-term disability insurance.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one which the employers and plan members understand the plan terms. This understanding is based on communications between the HCA, employers and plan members, and historical pattern of practice with regards to sharing of benefit costs.

Employers participating in the plan include the state of Washington (which includes general government agencies and higher education institutions), political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the K-12 school districts and ESD's. The District's retirees (currently, approximately 1,249) are eligible to participate in the PEBB plan under this arrangement.

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under PERS 1, 2, or 3; TRS 1, 2, or 3; or SERS 2 and 3 plans.

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits.

Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2022:

**Members not eligible for Medicare
(or enrolled in Part A only)**

Descriptions	Type of Coverage - Effective January 1, 2022		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	\$768.23	\$1,531.47	\$2,103.90
Kaiser Permanente NW CDHP	\$643.88	\$1,277.21	\$1,708.47
Kaiser Permanente WA Classic	\$813.24	\$1,621.48	\$2,227.66
Kaiser Permanente WA CDHP	\$641.39	\$1,272.99	\$1,702.94
Kaiser Permanente WA Sound Choice	\$659.19	\$1,313.37	\$1,804.01
Kaiser Permanente WA Value	\$721.89	\$1,438.79	\$1,976.46
UMP Classic	\$718.68	\$1,432.35	\$1,967.61
UMP Plus	\$687.13	\$1,369.26	\$1,880.86
UMP Select	\$647.73	\$1,290.45	\$1,772.50
UMP CDHP	\$638.69	\$1,270.29	\$1,700.24

Retirees enrolled in Medicare Parts A and B receive an explicit subsidy in the form of reduced premiums on Medicare supplemental plans. Retirees pay the following monthly rates:

Members enrolled in Part A and B of Medicare

Descriptions	Type of Coverage - Effective January 1, 2022		
	Employee	Employee & Spouse ¹	Full Family ¹
Kaiser Permanente NW Senior Advantage	\$172.79	\$340.58	\$913.01
Kaiser Permanente WA Medicare Plan	\$175.69	\$346.39	N/A
Kaiser Permanente WA Classic	N/A	N/A	\$952.57
Kaiser Permanente WA Sound Choice	N/A	N/A	\$837.03
Kaiser Permanente WA Value	N/A	N/A	\$884.06
UMP Classic	\$364.87	\$724.74	\$1,260.00

Note 1 – Employee, Spouse and Full Family with two Medicare eligible subscribers.

Funding Policy

Kent school district pays a fee to the State of Washington School Employees Benefits Board (SEBB), as part of its monthly payments for health care offered to current school district employees, that is, statutorily, intended to help subsidize the cost of health care insurance to retired school district employees. SEBB is separate and independent from the Public Employees Benefits Board (PEBB).

The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. The amount collected is set forth in the state's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

For the fiscal year 2021-22, the Kent School District was paying \$72.08 per current employee to SEBB for this purpose.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The District does not determine its annual required contribution, nor the net other post-employment benefit obligation associated with this plan. Accordingly, these amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to the Office of the State Actuary:
<https://leg.wa.gov/osa/Pages/default.aspx>

The plan does not issue a separate report; however, additional information is included in the State of Washington Annual Comprehensive Financial Report, which is available on this site:
<https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report>

NOTE 6: LEASES

The district is committed under various leases for certain equipment necessary for the effective operations of the district. Leasing arrangements have been made for certain copiers used in the print shop and for dispensing natural gas to run student transportation buses. Leasing arrangements require a monthly payment, with an implicitly calculated principal and interest. The district did not recognize outflows from previous years.

In summary, the district has the following commitments at fiscal year ending 08/31/2022:

General Lease Information			Requirements to Maturity		
Lessee	Description	Current Monthly Pmt	Principal	Interest	Total
KHP Limited Partnership	iGrad lease; Bldg at 25668 - 25672 I04th Ave SE Kent	\$9,264.24	\$254,099.14	\$8,766.47	\$262,865.61
KHP Limited Partnership	iGrad; Bldg at 25664 I04th Avenue SE Kent	\$10,207.77	\$291,909.86	\$10,223.52	\$302,133.38
Pitney Bowes	Print Shop: Relay 7000 System Mail Machine & Envelope Stuffer	\$2,016.38	\$54,978.23	\$1,480.30	\$56,458.53
Xerox	Print Shop: QBSI-Xerox (Xerox D135CP) Lease; Agreement #010-0020069-005	\$665.42	\$17,511.25	\$455.10	\$17,966.35
Xerox	Print Shop: QBSI-Xerox (Xerox D125) Lease; Agreement #0020069-004	\$2,519.78	\$66,310.72	\$1,723.34	\$68,034.06
Xerox	Print Shop: Xerox Primlink B9125 - Contract #010-0020069-006	\$787.03	\$44,667.41	\$2,554.39	\$47,221.80
Puget Sound Energy Inc	Transportation: Natural gas compression services, including equipment needed to provide the service	\$25,765.71	\$1,172,470.26	\$64,283.83	\$1,236,754.09
		TOTALS	\$1,901,946.87	\$89,486.95	\$1,991,433.82

Changes in lease liabilities are presented in the accompanying Schedule of Long-Term Liabilities.

More specifically, the following tables provide annual requirements for each lease noted above, with calculated principal and interest.

Summary Amortization Schedule for KHP Limited Partnership Lease at 25668 - 25672 I04th Ave SE Kent (iGrad building)				
Date	Lease Payments	Interest Expenditures @ 2.47 Percent	Principal Expenditures	Amount of Long-Term Debt
8/31/2022				\$254,099.14
8/31/2023	\$106,323.55	\$5,091.75	\$101,231.80	\$152,867.35
8/31/2024	\$84,275.76	\$2,863.28	\$81,412.48	\$71,454.87
8/31/2025	\$72,266.30	\$811.44	\$71,454.86	\$0.00
TOTALS	\$262,865.61	\$8,766.47	\$254,099.14	-

Summary Amortization Schedule for KHP Limited Partnership Lease at 25664 I04th Avenue SE Kent (iGrad building)				
Date	Lease Payments	Interest Expenditures @ 2.47 Percent	Principal Expenditures	Amount of Long-Term Debt
8/31/2022				\$291,909.86
8/31/2023	\$118,218.98	\$5,906.27	\$112,312.71	\$179,597.15
8/31/2024	\$99,011.90	\$3,363.95	\$95,647.95	\$83,949.19
8/31/2025	\$84,902.50	\$953.30	\$83,949.20	\$0.00
TOTALS	\$302,133.38	\$10,223.52	\$291,909.86	\$ -

Summary Amortization Schedule for Pitney Bowes Lease for Print Shop Relay 7000 System Mail Machine & Envelope Stuffer

Date	Lease Payments	Interest Expenditures @ 2.21 Percent	Principal Expenditures	Amount of Long-Term Debt
8/31/2022				\$54,978.23
8/31/2023	\$24,196.52	\$980.80	\$23,215.72	\$31,762.52
8/31/2024	\$24,196.52	\$462.50	\$23,734.01	\$8,028.51
8/31/2025	\$8,065.49	\$37.00	\$8,028.50	\$0.00
TOTALS	\$56,458.53	\$1,480.30	\$54,978.23	-

Summary Amortization Schedule for Xerox D135CP Lease

Date	Lease Payments	Interest Expenditures @ 2.21 Percent	Principal Expenditures	Amount of Long-Term Debt
8/31/2022				\$17,511.25
8/31/2023	\$7,985.04	\$309.56	\$7,675.48	\$9,835.76
8/31/2024	\$7,985.04	\$138.21	\$7,846.83	\$1,988.93
8/31/2025	\$1,996.27	\$7.33	\$1,988.94	\$0.00
TOTALS	\$17,966.35	\$455.10	\$17,511.25	-

Summary Amortization Schedule for Print Shop Xerox D125 Lease

Date	Lease Payments	Interest Expenditures @ 2.21 Percent	Principal Expenditures	Amount of Long-Term Debt
8/31/2022				\$66,310.72
8/31/2023	\$30,237.36	\$1,172.24	\$29,065.12	\$37,245.59
8/31/2024	\$30,237.36	\$523.35	\$29,714.01	\$7,531.58
8/31/2025	\$7,559.34	\$27.75	\$7,531.59	\$0.00
	\$68,034.06	\$1,723.34	\$66,310.72	-

Summary Amortization Schedule for Xerox Primlink B9125 Lease				
Date	Lease Payments	Interest Expenditures @ 2.21 Percent	Principal Expenditures	Amount of Long-Term Debt
9/1/2022				\$44,667.41
8/31/2023	\$9,444.36	\$900.96	\$8,543.40	\$36,124.01
8/31/2024	\$9,444.36	\$710.22	\$8,734.14	\$27,389.87
8/31/2025	\$9,444.36	\$515.23	\$8,929.13	\$18,460.74
8/31/2026	\$9,444.36	\$315.89	\$9,128.47	\$9,332.27
8/31/2027	\$9,444.36	\$112.09	\$9,332.27	\$0.00
TOTALS	\$47,221.80	\$2,554.39	\$44,667.41	-

On September 1, 2016, the district entered into an operating lease arrangement with Puget Sound Energy for the provision of natural gas compression services (“Compressed Natural Gas Service” or “CNG Service”), provided to a fueling station for district buses that operate on natural gas. The lease term remains in effect during the period ending on the 10th anniversary of the CNG Service Commencement Date (the “Initial Term”), unless terminated earlier in accordance with the terms of the Agreement. At the end of the Initial Term, the Agreement shall automatically renew for successive 60-month terms, unless notice of termination is provided 24 months in advance. The district does not own equipment pertaining to this service arrangement. Equipment remains the property of Puget Sound Energy. Maintenance of the equipment is the responsibility of Puget Sound Energy. The most current information regarding the district’s obligation in this lease is as follows:

Summary Amortization Schedule for Puget Sound Energy Lease				
Date	Lease Payments	Interest Expenditures @ 2.64 Percent	Principal Expenditures	Amount of Long-Term Debt
8/31/2022				\$1,172,470.26
8/31/2023	\$309,188.52	\$27,561.76	\$281,626.76	\$890,843.49
8/31/2024	\$309,188.52	\$20,036.18	\$289,152.34	\$601,691.15
8/31/2025	\$309,188.52	\$12,309.51	\$296,879.01	\$304,812.15
8/31/2026	\$309,188.53	\$4,376.38	\$304,812.15	\$0.00
TOTALS	\$1,236,754.09	\$64,283.83	\$1,172,470.26	

NOTE 7: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The District had the following active construction projects as of October 1, 2022:

Bond Projects

as of 10/01/2022

<u>Description</u>	<u>Project</u>		<u>10/1/2022</u>	<u>10/1/2022</u>
	<u>Identification</u>	<u>Approved Budget</u>	<u>Costs to Date</u>	<u>Balance</u>
FP Administration	0000 and 2033	\$ 7,571,256.26	\$ 5,572,137.42	\$ 1,999,118.84
Hardware Replacement, Elementary	2044	\$ 316,407.00	\$ 321,515.04	\$ (5,108.04)
Hardware Replacement, Secondary	2044	\$ 996,771.00	\$ 272,114.45	\$ 724,656.55
Window Replacements	2045	\$ 4,000,000.00	\$ 3,646,716.88	\$ 353,283.12
Fire Alarm Replacements	2075	\$ 1,853,404.00	\$ 2,095,375.57	\$ (241,971.57)
Middle School Field Upgrades	2092	\$ 6,679,077.00	\$ 4,871,596.72	\$ 1,807,480.28
High School Field Upgrades	2092	\$ 1,344,789.00	\$ -	\$ 1,344,789.00
Horizon Backnet Upgrade / other DDC Contro	2077	\$ 3,318,033.00	\$ 555,093.80	\$ 2,762,939.20
East Hill Kindergarten Classroom Dividers	2159	\$ 144,866.00	\$ 25,986.89	\$ 118,879.11
Presentation Systems	2226	\$ 9,000,000.00	\$ 9,397,703.58	\$ (397,703.58)
Maintenance Storage Building	2303	\$ -	\$ -	\$ -
Academy Facility (incl. State Match/Impact Fees)	2304	\$ 38,042,500.00	\$ 37,807,467.58	\$ 235,032.42
Boiler Replacements	2381	\$ 900,711.00	\$ 837,913.60	\$ 62,797.40
New Covington Elementary	2501, 2962	\$ 38,027,470.00	\$ 36,223,191.79	\$ 1,804,278.21
New River Ridge Elementary	1870-2501	\$ 53,450,000.00	\$ 53,739,313.47	\$ (289,313.47)
Roofing Projects	2610	\$ 11,627,713.00	\$ 11,709,243.06	\$ (81,530.06)
HVAC Projects	2633	\$ 7,373,526.00	\$ 6,373,134.74	\$ 1,000,391.26
Horizon Driveway Improvements	2504	\$ 626,766.00	\$ 588,504.10	\$ 38,261.90
Additional Storage Projects	2634	\$ 380,274.00	\$ -	\$ 380,274.00
Lake Youngs Expansion of Health Room	2636	\$ 153,921.00	\$ 197,106.19	\$ (43,185.19)
Pine Tree Entry & Office Remodel	2636	\$ 226,354.00	\$ 1,220.00	\$ 225,134.00
Kentridge D-Wing Remodel	2636	\$ 1,947,005.00	\$ -	\$ 1,947,005.00
Cedar Heights Classroom Conversion	2638	\$ 1,072,012.00	\$ 33,510.00	\$ 1,038,502.00
Performing Arts Ctrs - Remodels	2638	\$ 4,082,222.00	\$ 2,236,251.37	\$ 1,845,970.63
Multipurpose Rooms	2639	\$ 27,340,902.00	\$ 27,235,530.06	\$ 105,371.94
Admin. Egress Exit Lighting to generator	2715	\$ 153,685.00	\$ -	\$ 153,685.00
		<u>\$ 220,629,664.26</u>	<u>\$ 203,740,626.31</u>	<u>\$ 16,889,037.95</u>

Construction Levy Projects
as of 10/01/2022

<u>Description</u>	<u>Project</u>		<u>10/1/2022</u>		<u>10/1/2022</u>
	<u>Identification</u>	<u>Approved Budget</u>	<u>Costs to Date</u>		<u>Balance</u>
Administration	2033	\$ 600,000.00	\$	639,902.10	\$ (39,902.10)
Misc. Hardware/Door Projects	2044	\$ 64,380.00	\$	99,991.57	\$ (35,611.57)
Blinds, Drapes, Curtain Projects	2045	\$ 633,016.53	\$	348,797.72	\$ 284,218.81
Window Replacements	2045	\$ 4,413,401.00	\$	604,837.55	\$ 3,808,563.45
Waterline, Water Pipe Projects	2046	\$ 3,391,729.00	\$	-	
Root/Tree/Grounds Maintenance	2094	\$ 3,212,081.00	\$	352,590.59	\$ 2,859,490.41
Fire Alarm upgrades	2075	\$ 790,000.00	\$	596,210.00	\$ 193,790.00
French Field Turf Replacement	2095	\$ 594,170.96	\$	470,621.27	\$ 123,549.69
Curtains, Dividers, Partitions	2159	\$ 426,843.00	\$	50,545.50	\$ 376,297.50
Central Kitchen Exhaust Fan	2175	\$ 41,891.00	\$	-	\$ 41,891.00
Exterior Painting Projects	2182	\$ 1,763,281.00	\$	670,743.04	\$ 1,092,537.96
Sunrise Elem Roof	2610	\$ 1,254,300.00	\$	533,638.86	\$ 720,661.14
Misc Roofing Projects	2610	\$ -	\$	-	\$ -
Kentwood PAC House Lighting	2377	\$ 136,903.00	\$	136,903.00	\$ -
Misc Flooring Projects	2380	\$ 5,558,665.00	\$	1,325,569.13	\$ 4,233,095.87
Boiler Projects	2381	\$ 1,195,665.00	\$	738,642.58	\$ 457,022.42
Meridian MS Bleacher Replacement	2399	\$ 147,630.00	\$	178,279.32	\$ (30,649.32)
French Field Stadium Seating	2399	\$ 338,523.00	\$	307,193.31	\$ 31,329.69
HVAC & Controls Projects	2633	\$ 10,346,290.00	\$	62,540.00	\$ 10,283,750.00
Kent Meridian Partitions & Counters	2636	\$ 279,272.00	\$	162,364.47	\$ 116,907.53
Misc. Facility Renovations	2638	\$ 1,707,501.00	\$	159,604.59	
Interior Painting Projects	2705	\$ 1,561,863.00	\$	513,730.32	
Underdrainage Field Improvements	2740	\$ 790,582.00	\$	-	\$ 790,582.00
		\$ -	\$	-	\$ -
		\$ 39,247,987.49	\$	7,952,704.92	\$ 25,307,524.48

Encumbrances

Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year. The following encumbrance amounts were re-encumbered by fund on September 1, 2022:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 4,098,750
ASB Fund	\$ 22,405
Capital Projects Fund	\$ 7,779,695
Transportation Vehicle Fund	\$ - 0 -

NOTE 8: REQUIRED DISCLOSURES ABOUT CAPITAL ASSETS

The District’s capital assets are insured in the amount of \$150,000,000 per occurrence for fiscal year 2021-22. In the opinion of the District’s insurance consultant, the amount is sufficient to adequately fund replacement of District property assets.

NOTE 9: REQUIRED DISCLOSURES ABOUT LONG-TERM LIABILITIES

Long-Term Debt

The following information represents the district’s long-term liabilities, other than compensated absences, leases, and net pension liabilities.

Changes in Long Term Liabilities

Governmental Activities	Balance at September 1, 2021	Increases	Decreases	Balance at August 31, 2022	Due within One Year
General Obligation Bonds - Voted	\$ 213,156,000	\$ 39,730,000	\$ 18,260,000	\$ 234,626,000	\$ 31,470,000
General Obligation Bonds - Non Voted	2,660,000	-	2,660,000	-	-
Notes from Direct Borrowing and Direct Placement	-	-	-	-	-
Total	<u>\$ 215,816,000</u>	<u>\$ 39,730,000</u>	<u>\$ 20,920,000</u>	<u>\$ 234,626,000</u>	<u>\$ 31,470,000</u>

The district chose to completely defease the balance of its non-voted, general obligation debt during this current year. Funding for the defeasement came from the general fund.

The district issued new, general obligation bonds of \$39,730,000 on December 7, 2021. Proceeds will be used by the capital projects fund.

Bonds payable at August 31, 2022, are comprised of the following individual issues:

OUTSTANDING GENERAL OBLIGATION BONDS

Governmental Activities:	Amount Authorized and Issued	Issue Dates	Maturity Dates	Interest Rates	Amount Outstanding
2010 Refunding	12,995,000	11/4/10	12/1/22	2.00%-3.00%	1,510,000
2010 QSCB	15,000,000	11/4/10	12/1/26	5.127%	15,000,000
2012 Refunding	14,600,000	3/28/12	12/1/22	4.00-4.625%	1,800,000
2012A Refunding	19,370,000	10/25/12	12/1/24	2.00-4.00%	5,860,000
2013 Building Fund	14,620,000	5/1/13	12/1/32	2.00-5.00%	11,725,000
2015 Refunding	37,995,000	11/19/15	12/1/27	3-5%	14,730,000
2017 Building Fund	74,906,000	2/7/17	12/1/36	3-5%	58,266,000
2018 UGO Bonds	72,200,000	10/30/18	12/1/29	3-5%	51,155,000
2019 UGO Bonds	44,720,000	12/10/19	12/1/38	3-5%	34,850,000
2021 UGO Bonds	39,730,000	12/7/21	12/1/24	4.00%	39,730,000
	<u>\$ 346,136,000</u>				<u>\$ 234,626,000</u>

Annual installment requirements vary from issue-to-issue. The following is a schedule of annual requirements to amortize debt as of August 31, 2022:

Year Ending August 31,	Debt Service Requirement to Maturity		
	General Obligation Bonds		
	Principal	Interest	Total
2023	\$ 31,470,000	\$ 9,558,325	\$ 41,028,325
2024	37,015,000	8,082,925	45,097,925
2025	15,535,000	6,922,175	22,457,175
2026	13,051,000	6,228,675	19,279,675
2027	15,280,000	5,524,775	20,804,775
2028-2032	63,950,000	16,931,300	80,881,300
2033-2037	39,995,000	7,856,188	47,851,188
2038-2042	18,330,000	727,800	19,057,800
	<u>\$ 234,626,000</u>	<u>\$ 61,832,163</u>	<u>\$ 296,458,163</u>

Per 39.36.020 Revised Code of Washington, subparagraphs (3) and (4), additional debt beyond three-eighths of one percent of the value of the taxable property can only be incurred by an authorized 3/5 of the vote and the total limit of indebtedness may only be up to 5% of assessed valuation for additional voter approved bonds for capital outlays. The district's 2022 remaining debt capacity has been calculated at \$1,546,389,676.

NOTE 10: INTERFUND BALANCES AND TRANSFERS

The following table depicts significant interfund transfer activity:

Transferred From (Fund) 535 or 536	Transferred To (Fund) 965 9900 or 9901	Amount	Description
General Fund	Debt Service Fund	\$2,182,476.25	Defease limited general obligation debt, issued in 2015.
Capital Projects Fund	Debt Service Fund	\$1,789,099.69	Debt Service of limited general obligation bonds issued in 2008
Transportation Fund	Debt Service Fund	\$648,210.59	Debt Service of limited general obligation bonds sold for acquisition of buses in 2015.
Capital Projects Fund	General Fund	\$472,489.50	Salaries and consultants paid from the General Fund that relate to major technology and energy initiatives.
	TOTALS	\$5,092,276.03	

In addition, interfund activities often consist of reimbursements to the general fund due to salary obligations and other expenditures budgeted and properly chargeable to other funds. These transactions are often posted directly to expenditures within the appropriate fund, and then, as a credit to the general fund. Funding for the expenditure is transferred through the district “due from other funds” and “due to other funds” accounts. Balances at the end of the year that reflect these types of interfund activities, as well as, operating transfers that have not yet been funded is as follows:

Fund	Due From Other Funds	Due To Other Funds
General	\$ 264,712	\$ 234,644
Capital Projects	88,080	253,171
Debt Service	-	-
Special Revenue (ASB)	146,549	11,525
Transportation	-	-
Private Purpose Trust	-	-
TOTAL	\$ 499,341	\$ 499,341

NOTE 11: ENTITY RISK MANAGEMENT ACTIVITIES

General Insurance Information

Kent School District is a member of Schools Insurance Association of Washington (SIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1995, when seven mid-sized school districts in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Membership as of August 31, 2022 includes 36 school districts.

The program allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Wrongful Acts Liability, Miscellaneous Professional Liability, and Employee Benefit Liability is on a claims-made basis. All other coverages are on an occurrence basis. The program provides the following forms of group purchased insurance coverage for its members: Property, Earthquake, General Liability, Auto Liability, Equipment Breakdown, Crime, Wrongful Acts Liability, and Cyber Liability.

The program acquires Liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$350,000. Members are responsible for a standard deductible of \$5,000 for each claim (some member deductibles vary), while the program is responsible for the \$350,000 SIR. Insurance carriers cover insured losses over \$355,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$350,000 SIR. The program also purchases a Stop Loss Policy with an attachment point of \$8,170,808, which is fully funded in its annual budget.

Property insurance is subject to a per-occurrence self-insured retention (SIR) of \$350,000. Members are responsible for a \$10,000 deductible for each claim (some members deductibles vary), while the program is responsible for the remaining \$350,000 SIR. Insurance carriers cover insured losses over \$360,000 to the limits of each policy. Equipment Breakdown insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the deductible amount of each claim.

Privacy, Security, and Technology (Cyber) insurance is subject to a per-occurrence SIR of \$250,000. Members are responsible for a \$25,000 deductible for each claim, while the program is responsible for the remaining \$22Fees paid to the third-party administrator under this arrangement for the year ending August 31, 2022. Were \$3,244,410.5,000 SIR.

Members contract to remain in the program for one year and must give notice before December 31 to terminate participation the following September 1. Renewal of the Interlocal Agreement occurs automatically each year. Even after termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program is fully funded by its member participants. Claims are filed by members with Clear Risk Solutions, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid by all members to the third-party administrator under this arrangement for the year ending August 31, 2022 were \$3,244,410.

A board of directors, consisting of eight members, is selected by the membership from the east and west side of the state and is responsible for conducting the business affairs of the program. The Board of Directors has contracted with Clear Risk Solutions to perform day-to-day administration of the pool. The program has no employees.

The district paid \$2,894,605 in premiums and claims to the Schools Insurance Association of Washington for insurance coverage from September 1, 2021, through August 31, 2022.

Unemployment Compensation

The district self-insures for unemployment compensation. Actual employee claims are paid by the State of Washington Department of Employment Security, and then, reimbursed by the district to the state. Funds are set aside as a potential liability in the general fund for payment of claims from the state due to lost work, layoffs, or similar claims.

As of August 31, 2022, the funds set aside by the district for payment of future unemployment loss claims was \$262,346. This balance is the district's best estimate, based on available information of what could be expected in the near future.

Workers' Compensation

The district self-insures claims from injuries incurred on the job. The district contracts with a third party to administer the claims. Funds are set aside as a potential liability in the general fund for payment of claims due to work-related injuries.

At August 31, 2022, the amount the district has set aside for workers' compensation claims is \$3,679,394. The district feels this is more than adequate funding to meet surety requirements and any claims that could be expected in the near future.

The district, also, carries insurance to cover excess workers' compensation claims. The following table is a summary of the insurance policies in effect during the fiscal year:

Insurer	Period of Coverage	Insured's Retention Requirement	Maximum Limit of Occurrence/Indemnity	Premium Paid
Star Insurance Co.	09/01/2021 – 08/31/2022	\$500,000	\$1,000,000	\$196,103
Star Insurance Co.	09/01/2022 – 08/31/2023	\$500,000	\$1,000,000	\$118,782

The district pays various required workers' compensation assessments directly to the State of Washington Department of Labor and Industries:

- The district pays a 2nd injury assessment, based on claims paid. The district paid \$25,178 for this assessment from the state for the time period October 2021 – September 2022. The Second-Injury Fund Assessment provides for relief of claims that have been granted second-injury relief. In order to qualify for Second-Injury Fund relief, a worker's disability must be partially attributed to a prior injury, or pre-existing condition. Relief is provided for any claim that is granted a total permanent disability award (pension). The fund also provides for job modifications. The rate is determined on a fiscal-year basis.
- The district pays a supplemental pension and asbestos assessment, in accordance with RCW 51.12.102. The district paid \$759,286 for this assessment from the state for the time period October 2021 – September 2022. The Supplemental Pension Fund Assessments cover increases in claims costs due to cost-of living increases adjustments (COLAs), covers claims costs for asbestos-related diseases, and pays for benefits until the liable self-insured employer(s) is identified. The assessment for each of these funds is combined into one rate, and is based on reported worker hours. This rate is determined on a calendar year basis.

The district's self-insurance activities are briefly summarized in the chart below:

Kent School District FY 2022	<i>Unemployment Compensation</i>	<i>Workers Compensation</i>	<i>Liability Insurance</i>
District Program Manager	<i>Matthew Tardif</i>	<i>Matthew Tardif</i>	<i>Matthew Tardif</i>
Partner/Provider	Washington State Department of Employment Security (ESD) determines eligibility & processes claims; the district reimburses expenses.	N/A	Schools Insurance of Washington (SIAW) includes 40 WA school districts, and is governed by an 8 member Board.
Self Insurance Program Type	Reimbursable (individual)	Individual self-insurance	Risk Pool in School District Cooperative
Does the local government allow another separate legal entity into its self-insurance program? (yes or no)	No	No	Yes (district cooperative)
How are claims administered? (ex: Contracted Third Party Administrator (TPA), Internal Staff, etc?)	Kent School District Staff	TPA: Eberle Vivian	TPA: Clear Risk Solutions
Employee salary deduction?	No	Yes	No (Not a benefit to employees)
Total amount of premiums and claims paid during the period	\$115,752	\$1,881,831	\$2,894,605

NOTE 12: PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the District. Taxes are levied on January 1. The taxpayer has the obligation of paying all taxes on April 30 or one-half then and one-half on October 31. Typically, slightly more than half of the collections are made on the April 30 date. The October 31st collection is not available in time to cover liabilities for the prior fiscal period ended August 31st. The remaining property taxes receivable are measurable as of August 31st, but are not considered available

to pay the liabilities current as of August 31st. For that reason, property taxes levied as of January 1st of the current fiscal year, but paid after August 31st, are recorded as a deferred inflow of resources.

In February 2022, voters approved the renewal of a General Fund Educational Programs and Operations Excess Levy effective for calendar years 2023 through 2024, which provided taxing authority in the amount of \$152.5 million over the two years.

Also, in 2018, voters passed a 6-year special capital improvement/technology levy (2019 through 2024) in the amount of \$146.0 million.

Tax Abatements and Exemptions

King County provides tax abatement through three programs, that would affect the District, as well - the Current Use Program, the Historic Preservation Program, and the Single-family Dwelling Improvement Program. These programs are property tax abatements:

- The Current Use Programs provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland via four programs on their property pursuant to RCW 84.33.130 and RCW 84.34.010.
- The Historic Preservation Program provides property tax abatement through the legislature's encouragement to maintain, improve and preserve privately owned historic landmarks pursuant to Chapter 84.26 RCW.
- The Single-family Dwelling Improvement Program provides property tax abatement to encourage home improvements to single-family dwellings under RCW 84.36.400.

The district's fiscal year for tax abatements bridges two of King County's fiscal years. King County reports the following property tax abatements that pertain to the district. A proportion of each of these total abatements would have been a factor in the total property taxes shown collected by the district in the current fiscal year being reported by the district ending August 31, 2021:

- \$159,500 for the County's fiscal year ending December 31, 2021.
- \$154,157 for the County's fiscal year ending December 31, 2022.

In accordance with RCW 84.36 and WAC 458-16A, King County offers a property tax exemption to senior citizens as of December 31st of the filing year, and disabled persons that meet certain thresholds. You must be the owner and occupant of a single family dwelling, mobile home, or one unit in multiple-unit housing, and have a combined disposable income meeting certain thresholds (including income of spouse and co-tenant). Your household income determines the amount of the exemption from regular property taxes or excess levies.

The district participates in the following King County programs that provide tax exemptions for senior citizens:

- *Senior Citizens/Disabled Exemption* – Senior citizens meeting certain other criteria may be exempted from the district's property taxes, if their median household income is \$58,423 or lower.
- *Senior Citizens/Disabled Deferral* -- Senior citizens meeting certain other criteria or retired because of a physical disability and have annual household disposable income of \$67,411 or less for the previous year, may qualify for deferral of property taxes. Any unpaid past year taxes can also be deferred, providing you owned the property during those years. Deferred taxes plus accumulated interest become a lien on your property until the total amount is repaid.

The district estimates that \$1,497,549 of property taxes was exempted for senior citizens in tax year 2022 and \$1,678,227 in tax year 2023. Taxes are collected on a calendar year. Consequently, the district's fiscal year would have been partially affected by both years.

More information on the King County senior citizen exemption and deferral programs can be found at the following website:

<https://www.kingcounty.gov/depts/assessor/TaxRelief.aspx>

NOTE 13: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

The District is a member of the King County Director’s Association (KCDA). KCDA is a purchasing cooperative designed to pool the member districts’ purchasing power. The board authorized joining the association by signing Articles of Agreement dated May 29, 1974, and has remained in the joint venture ever since. The District’s current equity of \$388,549.83 is the accumulation of the annual assignment of KCDA’s operating surplus based upon the percentage derived from KCDA’s total sales to the District compared to all other districts applied against paid administrative fees. The District may withdraw from the joint venture and will receive its equity in ten annual allocations of merchandise or 15 annual payments.

Purchases for the calendar year 2022 totaled \$2,275,901. Financial reports of the purchasing cooperative may be obtained from the King County Director’s Association, 18639 80th Avenue S., Kent, WA 98064

NOTE 14: FUND BALANCE CLASSIFICATION DETAILS

The District’s financial statements include the following fund balance amounts presented in the aggregate:

Fund Balance Classification Detail	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund	Permanent Fund
Nonspendable Fund Balance:						
Inventory and Prepaid Items	\$ 4,504,321	\$ 300	\$ -	\$ -	\$ -	\$ -
Trust Principal	-	-	-	-	-	165,000
Restricted Fund Balance:						
For Other Items	260,018	-	-	-	-	-
For Fund Purpose	-	2,228,422	-	-	1,467,139	-
For Carryover and Restricted Revenues	2,855,894	-	-	-	-	-
For Carryover of Food Service Revenue	4,004,325	-	-	-	-	-
For Debt Service	-	-	-	23,745,911	-	-
Restricted from Bond Proceeds	-	-	46,500,032	-	-	-
Restricted from State Proceeds	-	-	152	-	-	-
Restricted from Federal Proceeds	-	-	(9,406,044)	-	-	-
Restricted from Other Proceeds	-	-	2,623	-	-	-
Restricted from Impact Fees	-	-	5,314,939	-	-	-
Committed Fund Balance:						
Committed from Levy Proceeds	-	-	36,248,515	-	-	-
Assigned Fund Balance:						
Other Purposes	23,420,870	-	-	-	-	-
Fund Purposes	-	-	1,208,835	-	-	27,893
Unassigned						
Unassigned for Minimum Fund Balance Policy	22,265,220	-	-	-	-	-
Unassigned Remaining Fund Balance	8,483,073	-	-	-	-	-
Total Fund Balance	\$65,793,721	\$ 2,228,722	\$79,869,052	\$23,745,911	\$ 1,467,139	\$ 192,893

Assignments for other purposes in the general fund are:

• School budgets – Purchase order carry-over and miscellaneous expenses	\$1,000,000
• Worker's compensation and liability surety	\$2,000,000
• Contractual leave cash outs already earned by employees that could be claimed	\$2,021,135
• Completion of school district re-boundary process	\$5,000,000
• Strategic Plan revision and implementation	\$1,000,000
• Enrollment Stabilization Funds, spent by August 31, 2023	\$9,399,735
• Curriculum adoption and implementation cycle	<u>\$3,000,000</u>
TOTAL	<u>\$23,420,870</u>

The School Board and district administration are committed to maintaining an unassigned general operating fund balance sufficient to provide stability of programs and to maintain sound financial practices. On June 1, 2009, the School Board adopted Policy No. 6002 – Minimum Fund Balance, which provides a target of minimum fund balance equal to 5% of the previous year general fund expenditures. The 2022-2023 budget was adopted with a budgeted total ending fund balance of \$46,897,664 or 10.6% of previous year General Fund expenditures.

NOTE 15: POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS—BOTH IN SEPARATELY ISSUED PLAN FINANCIAL STATEMENTS AND EMPLOYER STATEMENTS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in §457 of the Internal Revenue Code that is administered by the state deferred compensation plan.

403(b) Plan – Tax Sheltered Annuity (TSA)

The District offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: elective deferrals (employee contribution) and non-elective contribution (employer matching).

The District complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. The plan is administered by TSA Consulting. The plan assets are assets of the District employees, not the school district, and are therefore not reflected on these financial statements. For the year ended August 31, 2022, the District made \$168,323 in employer matching contributions to the plan.

Flexible Spending Plan

Under Section 125 of the Internal Revenue Service Code, the district implemented an employee benefit plan on January 1, 1990. This plan includes provisions for sheltering from withholding taxes unreimbursed medical expenses, dependent care expenses, and other qualified benefits such as health insurance premiums. The district is the administrator of the plan and has contracted with a service company in order to carry out the program requirements in an efficient and effective manner.

NOTE 16: TERMINATION BENEFITS

Compensated Absences

Sick Leave

Employees earn sick leave at a rate of 12 days per year. Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees can be reimbursed at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This statute also provides for an annual buy out

of an amount up to the maximum annual accumulation of 12 days. For buy-out purposes, employees may accumulate such leave to a maximum of 192 days, including the annual accumulation, as of December 31 of each year.

A long-term liability is recorded for vested employees that the district considers may, over time, cash out sick leave due to termination. This potential termination liability for sick leave is recorded as a long-term debt liability on the Schedule of Long-Term Liabilities for the general fund. Expenditures for potential termination liability due to sick leave are recorded when accrued. Due to considerations of prior employment credits in the state's retirement system, the district is unable to determine which employees are actually eligible for retirement at the end of a given fiscal year. The district assumes that all employees over the age of 55 are vested and will become eligible for retirement, and so calculates an estimated vested sick-leave liability of one hour for each four hours of accrued sick-leave for all current employees over the age of 55 as of the end of the fiscal year. The amount of accrued sick leave reflected as a long-term liability as of August 31, 2022 is \$6,090,247. Of this amount, \$678,894 is estimated will be cashed out within the next year.

Vacation Leave

An employee can be compensated for earned vacation leave up to 320 to 400 hours at any time upon termination, depending on the bargaining group. For this reason, all accrued vacation leave for employees is recorded as a long-term debt liability on the Schedule of Long-Term Liabilities for the general fund, up to the 320 to 400 hours maximum. Expenditures for vacation leave is recorded when earned. The amount reflected as a long-term liability for accrued vacation leave as of August 31, 2022 is \$3,885,250. Of this amount, \$3,185,905 is estimated may be used or cashed out in one year. However, some vacation leave will be cashed out at termination or per other provisions of bargaining agreements, and the district has assigned \$2,021,135 of its fund balance for what is expected to be cashed out in one year.

Kent School District No. 415
Schedule of Long-Term Liabilities

For the Year Ended August 31, 2022

Description	Beginning Outstanding Debt September 1, 2021	Amount Issued / Increased	Amount Redeemed / Decreased	Ending Outstanding Debt August 31, 2022	Amount Due Within One Year
Voted Debt					
Voted Bonds	213,156,000.00	39,730,000.00	18,260,000.00	234,626,000.00	31,470,000.00
LOCAL Program Proceeds Issued in Lieu of Bonds	0.00	0.00	0.00	0.00	0.00
Non-Voted Debt and Liabilities					
Non-Voted Bonds	2,660,000.00	0.00	2,660,000.00	0.00	0.00
LOCAL Program Proceeds	0.00	0.00	0.00	0.00	0.00
Leases	2,447,227.47	55,026.80	600,307.40	1,901,946.87	563,670.99
Contracts Payable	0.00	0.00	0.00	0.00	0.00
Claims & Judgements	0.00	0.00	0.00	0.00	0.00
Compensated Absences	9,651,239.00	3,925,106.00	3,600,848.00	9,975,497.00	3,864,799.62
Long-Term Notes	0.00	0.00	0.00	0.00	0.00
Anticipation Notes Payable	0.00	0.00	0.00	0.00	0.00
Lines of Credit	0.00	0.00	0.00	0.00	0.00
Other Non-Voted Debt	0.00	0.00	0.00	0.00	0.00
Other Liabilities					
Non-Voted Notes Not Recorded as Debt	0.00	0.00	0.00	0.00	0.00
Net Pension Liabilities:					
Net Pension Liabilities TRS 1	16,617,710.00	30,958,537.00	0.00	47,576,247.00	
Net Pension Liabilities TRS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities SERS 2/3	0.00	0.00	0.00	0.00	
Net Pension Liabilities PERS 1	4,558,649.00	7,143,366.00	0.00	11,702,015.00	
Total Long-Term Liabilities	249,090,825.47	81,812,035.80	25,121,155.40	305,781,705.87	35,898,470.61

Other postemployment benefits other than pensions (OPEB) liabilities are not presented in the Schedule of Long Term Liabilities.

Kent School District No. 415
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	10.553	1,591,445	-	1,591,445	-	3
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	10.555	9,936,823	-	9,936,823	-	3
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	10.555	924,422	-	924,422	-	4
			Total ALN 10.555:	10,861,245	-	10,861,245	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Summer Food Service Program for Children	10.559	10.559	90,473	-	90,473	-	3
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Fresh Fruit and Vegetable Program	10.582	10.582	208,558	-	208,558	-	3
			Total Child Nutrition Cluster:	12,751,721	-	12,751,721	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Child and Adult Care Food Program	10.558	10.558	14,278	-	14,278	-	3
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	COVID 19 - Pandemic EBT Administrative Costs	10.649	10.649	5,814	-	5,814	-	

The accompanying notes are an integral part of this schedule.

Kent School District No. 415
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	Expenditures		Passed through to Subrecipients	Note
					From Direct Awards	Total		
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of State Treasurer)	Schools and Roads - Grants to States	10.665	10.665	8,428	-	8,428	-	
Total Forest Service Schools and Roads Cluster:					8,428	8,428	-	
U.S. Department of Defense	JROTC Program	12.U01		-	135,016	135,016	-	3
U.S. Department of Defense	JROTC Program	12.U01		-	2,103	2,103	-	
Total ALN 12.U01:					-	137,119	-	
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	COVID 19 - Emergency Connectivity Fund Program	32.009		-	9,289,675	9,289,675	-	3
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	204055	6,700,578	-	6,700,578	-	2, 5
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270297	94,443	-	94,443	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270935	17,263	-	17,263	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	270945	24,960	-	24,960	-	2

The accompanying notes are an integral part of this schedule.

Kent School District No. 415
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSP)	Title I Grants to Local Educational Agencies	84.010	270952	24,916	-	24,916	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSP)	Title I Grants to Local Educational Agencies	84.010	270974	33,780	-	33,780	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSP)	Title I Grants to Local Educational Agencies	84.010	270978	23,829	-	23,829	-	2
Total ALN 84.010:				6,919,769	-	6,919,769	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSP)	Special Education Grants to States	84.027	307485	5,146,162	-	5,146,162	-	2
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSP)	Special Education Grants to States	84.027	338471	600,302	-	600,302	-	2
Total ALN 84.027:				5,746,464	-	5,746,464	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSP)	COVID 19 - Special Education Preschool Grants	84.173	371134	9,312	-	9,312	-	2

The accompanying notes are an integral part of this schedule.

Kent School District No. 415
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPi)	Special Education Preschool Grants	84.173	366859	132,492	-	132,492	-	2
	Total ALN 84.173:			141,804	-	141,804	-	
Total Special Education Cluster (IDEA):				5,888,268	-	5,888,268	-	
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSP)	Career and Technical Education -- Basic Grants to States	84.048	176002	262,164	-	262,164	-	2
	Indian Education Grants to Local Educational Agencies	84.060	-	-	91,836	91,836	-	2
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via University of Washington)	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	84.334A; UWSC11167	616,835	-	616,835	-	2
	English Language Acquisition State Grants	84.365	403165	227,813	-	227,813	-	2
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPi)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	525398	1,155,270	-	1,155,270	-	2

The accompanying notes are an integral part of this schedule.

**Kent School District No. 415
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	431084	468,071	-	468,071	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425W; 459549	33,826	-	33,826	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U; 140614	27,448	-	27,448	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D; 120550	24,362,637	-	24,362,637	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U; 138100	6,036,441	-	6,036,441	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D; 130197	3,648	-	3,648	-	2
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA Principals Foundation)	COVID 19 - Education Stabilization Fund	84.425	84.425U	78,770	-	78,770	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U; 712212	72,910	-	72,910	-	
Total ALN 84.425:				30,615,680	-	30,615,680	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS Schools Out Washington)	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	SS220106CGR	228,790	-	228,790	-	2

The accompanying notes are an integral part of this schedule.

Kent School District No. 415
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	Expenditures		Passed through to Subrecipients	Note
					From Direct Awards	Total		
Total Federal Awards Expended:					59,162,901	9,518,630	68,681,531	-

The accompanying notes are an integral part of this schedule.

Kent School District #415
Notes to the Schedule of Expenditures of Federal Awards
Year Ending August 31, 2022

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Kent School District's financial statements. The Kent School District uses the modified accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 - FEDERAL INDIRECT RATE

The Kent School District has elected **not** to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The Kent School District used their 21-22 federal restricted indirect rate of 3.81% with the following exceptions:

- CFDA 84.425D The Coronavirus Aid, Relief, and Economic Security (CARES) Act used 10.55% - ESSER II
- CFDA 84.425J The Coronavirus Aid, Relief, and Economic Security (CARES) Act used 10.46% - ESSER III
- CFDA 93.566 Refugee and Entrance Assistance - Discretionary Grants used 15% Approved Per SOWA

NOTE 3 - PROGRAM COSTS AND MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Kent School District's local matching share, may be more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 - NON-CASH AWARDS

The amount of food commodities reported on the schedule is the market value of commodities distributed by the Kent School District during the current year. The value is determined by the U.S. Department of Agriculture.

NOTE 5 - SCHOOLWIDE PROGRAMS

Kent School District operates a "schoolwide program" in twenty elementary buildings and one middle school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students rather than limit services to certain targeted students. The following federal program amount was expended by the Kent School District in its schoolwide program: Title I-A (84.010) \$6,700,578



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE**

**Kent School District No. 415
September 1, 2021 through August 31, 2022**

This schedule presents the corrective action planned by the District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2022-001	Finding caption: The District did not have adequate internal controls for ensuring compliance with requirements for time-and-effort documentation.
Name, address, and telephone of District contact person: Benjamin Rarick, Associate Superintendent of Finance 12033 SE 256th Kent, WA 98031	
Corrective action the auditee plans to take in response to the finding: <i>The Grants Administrator, under the supervision of the Director of Budget, will do interim and year-end reviews to identify any instances of positions funded by multiple federal funding sources for the purpose of assessing applicability of multi-cost objective T&E requirements and following through as appropriate. The Grants Administrator, under the supervision of the Director of Budget, and in collaboration with the program administrator, will initiate time & effort documentation in every case where there is debatable fact pattern, with the intent of adopting an “abundance of caution” approach to T&E, and will additionally seek written clarification from OSPI and/or the ESD in instances where T&E requirements are not dispositive from the relevant federal compliance supplements and guidance documents.</i>	
Anticipated date to complete the corrective action: October, 2024	

Finding ref number: 2022-002	Finding caption: The District did not have adequate internal controls for ensuring compliance with federal procurement requirements.
Name, address, and telephone of District contact person: Benjamin Rarick, Associate Superintendent of Finance 12033 SE 256th Kent, WA 98031	
Corrective action the auditee plans to take in response to the finding: <i>The Procurement Manager, under the supervision of the Assistant Director of Business Services, will develop a communication and standard acknowledgement by vendors certifying that the pricing offered was accepted under the cooperative agency named on the purchase order. The procurement team will additionally verify that local, state and federal competitive bid process was followed by the cooperative agency. The relevant Program Manager and the Procurement Manager will be jointly responsible for requesting and securing this backup for the purchase if the situation dictates. The relevant program manager, under the supervision of their supervisor, and in collaboration with the Procurement Manager and the Grants Manager, will perform interim and year-end reviews to identify purchases coded to federal funding sources to ensure the existence of proper bid documentation, and to ensure the expense is properly coded and not more appropriately charged to a different revenue source.</i>	
Anticipated date to complete the corrective action: October, 2024	

Finding ref number: 2022-003	Finding caption: The District did not have adequate internal controls for ensuring compliance with allowable activities and costs, procurement, and restricted purpose requirements.
Name, address, and telephone of District contact person: Benjamin Rarick, Associate Superintendent of Finance 12033 SE 256th Kent, WA 98031	
Corrective action the auditee plans to take in response to the finding: <i>As of the date of this Report, the district has already made its final claims under the Electronic Connectivity Fund (ECF) Program. Accordingly, the district will await further guidance from the FCC and OSPI to understand what additional steps or corrective actions are necessary by KSD to ensure compliance.</i>	
Anticipated date to complete the corrective action: October, 2024	

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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